Waters Corporation and Subsidiaries

Reconciliation of GAAP to Adjusted Non-GAAP

Net Sales by Operating Segment, Products & Services, Geography and Markets

Three Months Ended September 26, 2020 and September 28, 2019

(In thousands)

	Three Months Ended		Percent	Current Period Currency	Constant Currency
	September 26, 2020	September 28, 2019	Change	Impact	Growth Rate [(a)]
NET SALES - OPERATING SEGMENT					
Waters	$ 533,466	$ 512,146	4%	$ 4,759	3%
TA	60,318	65,132	(7%)	532	(8%)
Total	**$ 593,784**	**$ 577,278**	**3%**	**$ 5,291**	**2%**
NET SALES - PRODUCTS & SERVICES					
Instruments	$ 268,064	$ 270,317	(1%)	$ 1,692	(1%)
Service	217,545	206,705	5%	2,230	4%
Chemistry	108,175	100,256	8%	1,369	7%
Total Recurring	325,720	306,961	6%	3,599	5%
Total	**$ 593,784**	**$ 577,278**	**3%**	**$ 5,291**	**2%**
NET SALES - GEOGRAPHY					
Asia	$ 236,182	$ 237,775	(1%)	$ (2,254)	-
Americas	199,447	196,458	2%	(106)	2%
Europe	158,155	143,045	11%	7,651	5%
Total	**$ 593,784**	**$ 577,278**	**3%**	**$ 5,291**	**2%**
NET SALES - MARKETS					
Pharmaceutical	$ 343,001	$ 328,227	5%	$ 2,537	4%
Industrial	179,128	171,352	5%	3,345	3%
Academic & Governmental	71,655	77,699	(8%)	(591)	(7%)
Total	**$ 593,784**	**$ 577,278**	**3%**	**$ 5,291**	**2%**
NET SALES - EXCLUDING CHINA					
Total Net Sales	$ 593,784	$ 577,278	3%	$ 5,291	2%
China Net Sales	115,666	111,657	4%	951	3%
Total Net Sales Excluding China	**$ 478,118**	**$ 465,621**	**3%**	**$ 4,340**	**2%**

(a) The Company believes that referring to comparable constant-currency growth rates is a useful way to evaluate the underlying performance of Waters Corporation's net sales. Constant-currency growth rate, a non-GAAP financial measure, measures the change in net sales between current and prior year periods, ignoring the impact of foreign currency exchange rates during the current period. See description of non-GAAP financial measures contained in this release.

Waters Corporation and Subsidiaries

Reconciliation of GAAP to Adjusted Non-GAAP

Net Sales by Operating Segment, Products & Services, Geography and Markets

Nine Months Ended September 26, 2020 and September 28, 2019

(In thousands)

	Nine Months Ended		Percent	Current Period Currency	Constant Currency
	September 26, 2020	September 28, 2019	Change	Impact	Growth Rate [a]
NET SALES - OPERATING SEGMENT					
Waters	$ 1,413,386	$ 1,503,177	(6%)	$ (5,001)	(6%)
TA	165,321	187,125	(12%)	(613)	(11%)
Total	**$ 1,578,707**	**$ 1,690,302**	**(7%)**	**$ (5,614)**	**(6%)**
NET SALES - PRODUCTS & SERVICES					
Instruments	$ 664,817	$ 778,540	(15%)	$ (2,187)	(14%)
Service	613,365	611,961	-	(2,916)	1%
Chemistry	300,525	299,801	-	(511)	-
Total Recurring	913,890	911,762	-	(3,427)	1%
Total	**$ 1,578,707**	**$ 1,690,302**	**(7%)**	**$ (5,614)**	**(6%)**
NET SALES - GEOGRAPHY					
Asia	$ 603,471	$ 677,122	(11%)	$ (6,801)	(10%)
Americas	546,405	585,101	(7%)	(35)	(7%)
Europe	428,831	428,079	-	1,222	-
Total	**$ 1,578,707**	**$ 1,690,302**	**(7%)**	**$ (5,614)**	**(6%)**
NET SALES - MARKETS					
Pharmaceutical	$ 926,582	$ 972,884	(5%)	$ (4,937)	(4%)
Industrial	474,592	502,679	(6%)	1,410	(6%)
Academic & Governmental	177,533	214,739	(17%)	(2,087)	(16%)
Total	**$ 1,578,707**	**$ 1,690,302**	**(7%)**	**$ (5,614)**	**(6%)**
NET SALES - EXCLUDING CHINA					
Total Net Sales	$ 1,578,707	$ 1,690,302	(7%)	$ (5,614)	(6%)
China Net Sales	252,713	314,544	(20%)	(1,897)	(19%)
Total Net Sales Excluding China	**$ 1,325,994**	**$ 1,375,758**	**(4%)**	**$ (3,717)**	**(3%)**

(a) The Company believes that referring to comparable constant-currency growth rates is a useful way to evaluate the underlying performance of Waters Corporation's net sales. Constant-currency growth rate, a non-GAAP financial measure, measures the change in net sales between current and prior year periods, ignoring the impact of foreign currency exchange rates during the current period. See description of non-GAAP financial measures contained in this release.

Waters Corporation and Subsidiaries
Reconciliation of GAAP to Adjusted Non-GAAP Financials
Three & Nine Months Ended September 26, 2020 and September 28, 2019
(In thousands, except per share data)

	Selling & Administrative Expenses[(a)]	Operating Income	Operating Income Percentage	Other Expense	Income from Operations before Income Taxes	Provision for Income Taxes	Net Income	Diluted Earnings per Share
Quarter Ended September 26, 2020								
GAAP	**$ 138,087**	**$ 158,384**	**26.7%**	**$ (1,039)**	**$ 150,437**	**$ 23,668**	**$ 126,769**	**$ 2.03**
Adjustments:								
Purchased intangibles amortization (b)	(2,657)	2,657	0.4%	-	2,657	524	2,133	0.03
Restructuring costs and certain other items (c)	(6,771)	6,771	1.1%	-	6,771	1,692	5,079	0.08
Certain income tax items (d)	-	-	-	-	-	(685)	685	0.01
Adjusted Non-GAAP	**$ 128,659**	**$ 167,812**	**28.3%**	**$ (1,039)**	**$ 159,865**	**$ 25,199**	**$ 134,666**	**$ 2.16**
Quarter Ended September 28, 2019								
GAAP	**$ 128,655**	**$ 173,235**	**30.0%**	**$ (496)**	**$ 164,738**	**$ 26,605**	**$ 138,133**	**$ 2.07**
Adjustments:								
Purchased intangibles amortization (b)	(2,619)	2,619	0.5%	-	2,619	535	2,084	0.03
Restructuring costs and certain other items (c)	(1,596)	1,596	0.3%	-	1,596	350	1,246	0.02
Certain income tax items (d)	-	-	-	-	-	(600)	600	0.01
Adjusted Non-GAAP	**$ 124,440**	**$ 177,450**	**30.7%**	**$ (496)**	**$ 168,953**	**$ 26,890**	**$ 142,063**	**$ 2.13**
Nine Months Ended September 26, 2020								
GAAP	**$ 409,694**	**$ 381,778**	**24.2%**	**$ (2,149)**	**$ 353,663**	**$ 50,403**	**$ 303,260**	**$ 4.86**
Adjustments:								
Purchased intangibles amortization (b)	(7,900)	7,900	0.5%	-	7,900	1,561	6,339	0.10
Restructuring costs and certain other items (c)	(33,054)	33,054	2.1%	(461)	32,593	7,373	25,220	0.40
Litigation provisions (e)	(1,180)	1,180	0.1%	-	1,180	283	897	0.01
Certain income tax items (d)	-	-	-	-	-	(1,567)	1,567	0.03
Adjusted Non-GAAP	**$ 367,560**	**$ 423,912**	**26.9%**	**$ (2,610)**	**$ 395,336**	**$ 58,053**	**$ 337,283**	**$ 5.41**
Nine Months Ended September 28, 2019								
GAAP	**$ 400,747**	**$ 472,040**	**27.9%**	**$ (1,363)**	**$ 453,851**	**$ 62,322**	**$ 391,529**	**$ 5.63**
Adjustments:								
Purchased intangibles amortization (b)	(7,164)	7,164	0.4%	-	7,164	1,520	5,644	0.08
Restructuring costs and certain other items (c)	(14,382)	14,382	0.9%	-	14,382	3,623	10,759	0.15
Tax reform (f)	-	-	-	-	-	3,229	(3,229)	(0.05)
Certain income tax items (d)	-	-	-	-	-	(1,908)	1,908	0.03
Adjusted Non-GAAP	**$ 379,201**	**$ 493,586**	**29.2%**	**$ (1,363)**	**$ 475,397**	**$ 68,786**	**$ 406,611**	**$ 5.85**

(a) Selling & administrative expenses include purchased intangibles amortization and litigation provisions.

(b) The purchased intangibles amortization, a non-cash expense, was excluded to be consistent with how management evaluates the performance of its core business against historical operating results and the operating results of competitors over periods of time.

(c) Restructuring costs and certain other items were excluded as the Company believes that the cost to consolidate operations and reduce overhead and certain other income or expense items are not normal and do not represent future ongoing business expenses of a specific function or geographic location of the Company.

(d) Certain income tax items were excluded as these non-cash expenses and benefits represent updates in management's assessment of ongoing examinations or other tax items that are not indicative of the Company's normal or future income tax expense.

(e) Litigation provisions were excluded as these items are isolated, unpredictable and not expected to recur regularly.

(f) The provision for income taxes for nine months ended September 28, 2019 included a $3 million benefit related to the tax on the change in foreign currency exchange rates on the earnings taxed in December 31, 2017 under the Tax Cuts and Jobs Act and the subsequent finalization of the tax regulations during the first quarter of 2019. The difference is due to the change from the foreign currency exchange rates required by the U.S. Department of the Treasury on December 31, 2017 to the foreign currency exchange rates on either the date of distribution of assets into the U.S. or the foreign currency exchange rates as of September 28, 2019.

Waters Corporation and Subsidiaries
Preliminary Condensed Consolidated Statements of Cash Flows
Three and Nine Months Ended September 26, 2020 and September 28, 2019
(In thousands and unaudited)

	Three Months Ended		Nine Months Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Cash flows from operating activities:				
Net income	$ 126,769	$ 138,133	$ 303,260	$ 391,529
Adjustments to reconcile net income to net cash provided by operating activities:				
Stock-based compensation	9,593	9,662	27,715	28,917
Depreciation and amortization	30,888	26,704	91,091	80,319
Change in operating assets and liabilities, net	5,329	(26,110)	100,959	(49,573)
Net cash provided by operating activities	172,579	148,389	523,025	451,192
Cash flows from investing activities:				
Additions to property, plant, equipment and software capitalization	(28,311)	(45,017)	(125,340)	(110,205)
Business acquisitions, net of cash acquired	-	-	(76,664)	-
Investment in unaffiliated companies	(500)	(2,500)	(3,850)	(7,250)
Net change in investments	(5,415)	87,895	(20,707)	942,896
Net cash (used in) provided by investing activities	(34,226)	40,378	(226,561)	825,441
Cash flows from financing activities:				
Net change in debt	(125,000)	206,830	(110,366)	206,948
Proceeds from stock plans	13,682	4,182	28,421	34,311
Purchases of treasury shares	(56)	(580,065)	(196,353)	(1,909,700)
Other cash flow from financing activities, net	2,772	2,246	10,330	6,900
Net cash used in financing activities	(108,602)	(366,807)	(267,968)	(1,661,541)
Effect of exchange rate changes on cash and cash equivalents	6,147	(5,309)	10,723	(6,723)
Increase (decrease) in cash and cash equivalents	35,898	(183,349)	39,219	(391,631)
Cash and cash equivalents at beginning of period	339,036	587,998	335,715	796,280
Cash and cash equivalents at end of period	$ 374,934	$ 404,649	$ 374,934	$ 404,649

Reconciliation of GAAP Cash Flows from Operating Activities to Free Cash Flow [(a)]

Net cash provided by operating activities - GAAP	$ 172,579	$ 148,389	$ 523,025	$ 451,192
Adjustments:				
Additions to property, plant, equipment and software capitalization	(28,311)	(45,017)	(125,340)	(110,205)
Tax reform payments	38,454	-	38,454	29,109
Major facility renovations	7,253	21,073	50,320	48,348
Free Cash Flow - Adjusted Non-GAAP	$ 189,975	$ 124,445	$ 486,459	$ 418,444

(a) The Company defines free cash flow as net cash flow from operations accounted for under GAAP less capital expenditures and software capitalizations plus or minus any unusual and non recurring items. Free cash flow is not a GAAP measurement and may not be comparable to free cash flow reported by other companies.